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**PUC PROJECT NO. 51812**

**ISSUES RELATED TO THE STATE OF  
DISASTER FOR THE FEBRUARY 2021  
WINTER WEATHER EVENT**

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**PUBLIC UTILITY COMMISSION  
OF TEXAS**

**NRG ENERGY INC. RESPONSE TO REQUESTS  
TO RETROACTIVELY CHANGE PRICES FOR  
THE FEBRUARY 2021 WINTER WEATHER EVENT**

TO THE HONORABLE CHAIRMAN OF THE PUBLIC UTILITY COMMISSION OF TEXAS:

NRG Energy Inc. (“NRG”) appreciates the hard work of the Public Utility Commission of Texas (“PUC”) during and after the February 2021 winter weather event. The issues we face in the ERCOT market as a result of the event are daunting, but NRG stands committed to assist the PUC, ERCOT, and other stakeholders to meaningfully address them. For NRG, our customers are our primary focus. All of our residential customers are on products that did not expose them to wholesale energy prices during the winter event.

NRG is concerned that repricing the ERCOT market, after the fact, for select hours or days, would cause long-term harm to consumers and incur unknown costs that could exceed any perceived benefits. NRG’s comments address the following items:

- Restore certainty to the ERCOT markets by making a final decision that prices for the event should stand as posted;
- The IMM’s stated \$16 billion cost estimate for the February 18<sup>th</sup> and 19<sup>th</sup> period, at the value of lost load, is misleading and not reflective of the actual costs incurred by consumers and should not be relied upon to evaluate repricing, especially since those impacted consumers will not see \$16 billion returned if repricing is conducted;
- Market participants took actions based on how the PUC orders were implemented;  
and

- NRG is committed to work with the PUCT, ERCOT, and market participants to develop alternative solutions to help address the unanticipated financial burdens on Load Serving Entities (“LSE”).

Various ERCOT market stakeholders including the Independent Market Monitor (“IMM”) have submitted recommendations in Project 51812 to retroactively change ERCOT market prices. Price certainty is a fundamental principle in markets and, specifically, in the ERCOT market. It allows market participants to have confidence in the integrity of market outcomes and proceed with operational and financial decisions. Repricing markets creates a bad precedent that encourages participants to challenge future market outcomes when they do not like the resulting prices. Due to the interrelated and complex nature of the Texas physical and financial natural gas and power markets, changing prices retroactively creates substantial risk by impacting transactions that spread across the entire power and natural gas industry, inside and outside of ERCOT, causing participants to incur unknown costs to litigate and resettle those transactions.

Consumers did not incur an additional \$16 billion in cost on February 18 and 19, 2021, and therefore, they will not see \$16 billion returned if repricing is conducted. In its letter submitted on March 4, 2021, the IMM estimated the cost of pricing energy on February 18 and 19 period at the value of lost load (i.e. \$9,000/MWh) to be \$16 billion of additional costs. The IMM’s \$16 billion estimate is a theoretical number that does not reflect the actual costs incurred by consumers, or the ERCOT market, and therefore, it should not be relied upon to evaluate repricing proposals. It assumes every single consumer in ERCOT was fully exposed to wholesale prices, which did not occur. To the contrary, all of NRG’s residential customers were not exposed to wholesale prices stemming from this event. Therefore, the cost impact from changing prices would be far less than

\$16 billion and it would be offset and potentially exceeded by the increased cost to resolve repricing of bilateral and financial transactions.

The Commission order during the week of February 15, 2021, set prices at value of lost load. Importantly, market participants took actions in response to the implementation of the order by ERCOT that they would not have done otherwise. And the behaviors of market participants in response to the implementation of those rules influenced market conditions and pricing outcomes. Considering the very high prices for natural gas during the event and lingering generation outages, it is likely the ERCOT market would have experienced high scarcity prices on February 18<sup>th</sup> and through the morning of February 19<sup>th</sup> regardless of the actions taken by the PUCT.

NRG is committed to working with the PUCT, ERCOT, and market participants to develop alternative solutions to help address the unintended consequence of financial burden to Load Serving Entities (LSEs). NRG recognizes the financial impact of uplift charges related to the reliability deployment price adder and is supportive of solutions to address these issues.

NRG appreciates the careful deliberation of these important matters by the Commission given the large financial consequences of all parties involved. NRG stands committed to assist the Commission to address these complex issues.

Respectfully submitted,

*Bill Barnes*

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